Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2004

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Officials

Name	<u>Term Expires</u>							
	Board of Education							
(Before September 2003 Election)								
Stan Thompson	President	2005						
Tom Manifold	Vice President	2003						
Robert Neymeyer Kate Petersen Tim Cuvelier	Board Member Board Member Board Member	2005 2004 2004						
	Board of Education							
	(After September 2003 Election)							
Stan Thompson	President	2005						
Tom Manifold	Vice President	2006						
Robert Neymeyer Kate Petersen Tim Cuvelier	Board Member Board Member Board Member	2005 2004 2004						
School Officials								
Patrick Morgan	Superintendent	2004						
Patricia Gosch	District Business Manager	2004						
Klinkenborg, Hansmann & Peterson	Attorney	2004						

Keith Oltrogge CPA 201 East Main Street Denver IA 50622

Independent Auditor's Report

To the Board of Education of Parkersburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Parkersburg Community School District, Parkersburg, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Parkersburg Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Parkersburg Community School District adopted Governmental Accounting Standards Board Statement No. 34, <u>Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments</u>; Statement No. 37, <u>Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments</u>: <u>Omnibus</u>; Statement No. 38, <u>Certain Financial Statement Note Disclosures</u>; Statement No. 41, <u>Budgetary Comparison Schedule – Perspective Differences</u>; and Interpretation No. 6, <u>Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements</u>.

In accordance with <u>Government Auditing Standards</u>, I have also issued my reports dated July 30, 2004 on my consideration of Parkersburg Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parkersburg Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keith Oltrogge Certified Public Accountant

July 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Parkersburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,026,024 in fiscal 2003 to \$3,903,995 in fiscal 2004, while General Fund expenditures increased from \$3,891,347 in fiscal 2003 to \$4,256,892 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$836,182 in fiscal 2003 to \$483,285 in fiscal 2004, a 42% decrease from the prior year.
- The decrease in General Fund revenues was partly attributable to the District's decrease in certified enrollment from 465 students in 2002 to 464 in 2003, a loss of 1 student. September 2003 was the last time enrollment was taken for the Parkersburg District due to the July 1, 2004 merger with Aplington School District. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. Since the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- In October 2003, Governor Vilsack announced a 2.5% across-the-board reduction, which cut our District's General Fund revenues by approximately \$43,580. In June, the Governor restored 10% of the October cut restoring \$4,443 to the General Fund.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$41,277 in fiscal year 2001 to \$20,686 in fiscal year 2004.
- In February 2004, Butler and Grundy Counties passed the 1% Local Option Sales and Services (SILO) tax, which will have a significant impact on our District. The percentage of "Yes" votes was 73% in Butler County and 75% in Grundy County. Increased revenue from the SILO Tax will begin in September 2004.
- In July 2003, NSFF (National School Fitness Foundation) contracted with the District to reimburse the full cost of fitness equipment installed in the Parkersburg building. In April 2004, the NSFF filed bankruptcy and has not made payments to the District. The PPEL (Physical Plant and Equipment Levy) paid \$19,240 to cover the cost of the April, May and June payments. The District is pursuing legal action, but the prospect of recovering funds from NSFF is unlikely.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Parkersburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Parkersburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Parkersburg Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Parkersburg Community School District Annual Financial Report

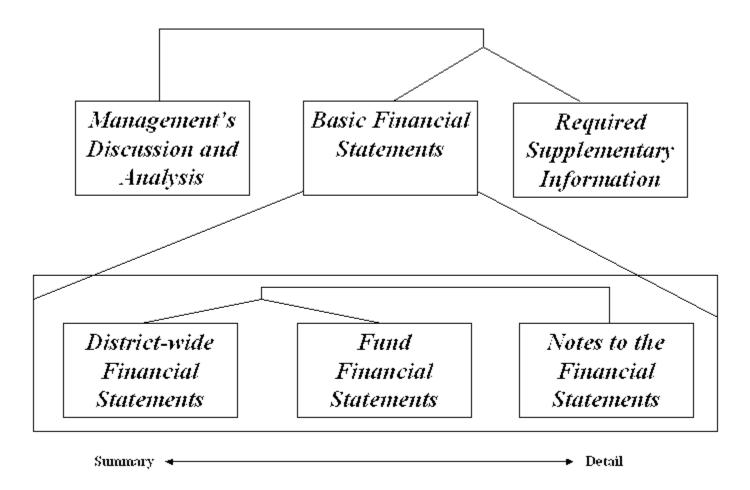


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

			Fund Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash	Statement of fiduciary net assets Statement of changes in fiduciary net assets
			flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and Before and After School Program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

1) Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Before and After School Program Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
 - Private-Purpose Trust Fund The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Condensed Statement of Net Assets						
	Governmental		Business Type		Tot	Total	
	Activ	ities	Activ	ities	Dist	Change	
	June	30,	June	30,	June	June 30,	
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$992,278	\$4,175,384	\$17,012	\$15,073	\$1,009,290	\$4,190,457	-\$3,181,167
Capital assets	1,359,275	1,207,453	32,772	34,677	1,392,047	1,242,130	149,917
Total assets	\$2,351,553	\$5,382,837	\$49,784	\$49,750	\$2,401,337	\$5,432,587	-\$3,031,250
Long-term liabilities	\$166,437	\$218,901	\$-	\$-	\$166,437	\$218,901	-\$52,464
Other liabilities	358,178	3,156,025	7,110	20,242	365,288	3,176,267	-2,810,979
Total liabilities	\$524,615	\$3,374,926	\$7,110	\$20,242	\$531,725	\$3,395,168	-\$2,863,443
Net assets:							
Invested in capital assets, net							
of related debt	\$1,210,811	\$988,552	\$32,772	\$34,677	\$1,243,583	\$1,023,229	\$220,354
Restricted	156,036	53,677	-	-	156,036	53,677	102,359
Unrestricted	460,091	965,682	9,902	-5,169	469,993	960,513	-490,520
Total net assets	\$1,826,938	\$2,007,911	\$42,674	\$29,508	\$1,869,612	\$2,037,419	-\$167,807

The District's combined net assets decreased by nearly 8%, or approximately \$168,000, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$102,000, or 65% over the prior year

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$490,000, or 51%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets

	Changes in Net Assets					
	Business					
	Governmental	Type	Total			
	Activities	Activities	District			
Revenues:						
Program revenues:						
Charges for service	\$710,070	\$164,603	\$874,673			
Operating grants, contributions and						
restricted interest	392,357	65,779	458,136			
Capital grants, contributions and						
restricted interest	-	-	-			
General revenues:						
Property tax	1,428,925	-	1,428,925			
Local option sales and service tax	-	-	-			
Unrestricted state grants	1,581,513	-	1,581,513			
Unrestricted investment earnings	24,396	60	24,456			
Total revenues	\$4,137,261	\$230,442	\$4,367,703			
Program expenses:						
Governmental activities:						
Instruction	\$2,920,287	\$-	\$2,920,287			
Support services	1,213,514	-	1,213,514			
Non-instructional programs	2,188	251,149	253,337			
Other expenses	148,372	, -	148,372			
Total expenses	\$4,284,361	\$251,149	\$4,535,510			
Change in not exacts	¢1.47.100	¢20.707	¢1.67.007			
Change in net assets	-\$147,100	-\$20,707	-\$167,807			
Transfers	-33,873	33,873				
Change in net assets	-\$180,973	\$13,166	-\$167,807			

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 95% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,137,261 and expenses were \$4,284,361. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental
Activities

	1100111010			
	Total Cost	Net Cost		
	of Services	of Services		
Instruction	\$2,920,287	\$2,066,698		
Support Services	1,213,514	1,156,961		
Non-instructional programs	2,188	2,188		
Other expenses	148,372	-43,913		
Totals	\$4,284,361	\$3,181,934		

- The cost financed by users of the District's programs was \$874,673.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$445,224.
- The net cost of governmental activities was financed with \$1,428,925 in property and other taxes and \$1,581,513 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$230,442 and expenses were \$251,149. The District's business type activities include the School Nutrition Fund and Before and After School Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Parkersburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$638,126, well below last year's ending fund balances of \$1,025,885.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. A reduction during the year in tax and grants resulted in a decrease in revenues. The decrease in revenues, along with the increase in General Fund expenditures, required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$836,182 to \$483,285, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$91,469 in fiscal 2003 to \$44,818 in fiscal 2004. While revenues remained approximately the same, the District used dollars from the PPEL Fund to make lease payments for the fitness equipment due to the NSFF bankruptcy.

Proprietary Fund Highlights

• School Nutrition Fund net assets increased from \$24,627 at June 30, 2003 to \$38,269 at June 30, 2004, representing a increase of approximately 3%. Before and After School Fund net assets decreased from \$4,881 at June 30, 2003 to \$4,405 at June 30, 2004, representing a decrease of approximately 10%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$53,998 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

The Districts total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$1.38 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 10% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$106,307.

The original cost of the District's capital assets was \$5.2 million. Governmental funds account for \$5.1 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
LAssets net of Depreciati

	Capital Assets, net of Depreciation						
	Governmental		Busine	Business Type		Total	
	Activ	ities	Activ	vities	District		Change
	June	30,	June	June 30,		June 30,	
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$85,700	\$65,865	\$-	\$-	\$85,700	\$65,865	\$19,835
Construction in progress	-	13,475	-	-	-	13,475	-13,475
Buildings	921,143	858,067	-	-	921,143	858,067	63,076
Improvements other than							
buildings	121,121	100,481	-	-	121,121	100,481	20,640
Furniture and equipment	231,311	169,565	32,772	34,677	264,083	204,242	59,841
Totals	\$1,359,275	\$1,207,453	\$32,772	\$34,677	\$1,392,047	\$1,242,130	\$149,917

Long-Term Debt

At June 30, 2004, the District had \$166,437 in long-term debt outstanding. This represents a decrease of approximately 23% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

	Figure A-7							
Outstanding Long-term Obligations								
Total		Total						
Distric	et	Change						
June 30	0,	June 30,						
2004	2003	2003-2004						
		_						
\$148,464	\$218,901	-\$70,437						
17,973	-	17,973						
\$166,437	\$218,901	-\$52,464						

Capital lease Early retirement Totals

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- At the request of voters at an election held in August 2003, effective July 1, 2004, the Aplington Community School District merged with the Parkersburg Community School District. The merger affects the merged district's financial future in several areas. Several areas of revenues and expenditures will be eliminated because Aplington and Parkersburg will not be paying each other for shared students, administrators, transportation costs, or for open enrollment tuition.
- The 1% local option sales tax (SILO) is projected to bring \$171,000 into the Aplington-Parkersburg School District during FY05 for infrastructure and vehicle expenses.
- The District has evaluated the condition of its transportation vehicles and determined that, due to safety precautions, one bus must be replaced during fiscal 2005 at a cost of \$60,000. To pay for these buses, the District will use the SILO (School Infrastructure Local Option) tax implemented July 1, 2004.
- The District will negotiate a new agreement with the Aplington-Parkersburg Education Association during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patrick Morgan, Superintendent, Aplington-Parkersburg Community School District, 610 North Johnson Street, Parkersburg IA 50665.



Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 262,777	\$ -	\$ 262,777
Other	15,887	14,432	30,319
Investments	648,382	-	648,382
Receivables:			
Property tax:			
Delinquent	20,600	-	20,600
Accounts	3,047	74	3,121
Accrued interest:			
ISCAP	1,430	-	1,430
Due from other governments	16,961	-	16,961
Inventories	23,194	2,506	25,700
Capital assets, net of accumulated depreciation	 1,359,275	32,772	1,392,047
Total Assets	\$ 2,351,553	\$ 49,784	\$ 2,401,337
Liabilities			
Accounts payable	\$ 1,508	\$ -	\$ 1,508
Salaries and benefits payable	89,476	3,389	92,865
Accrued interest payable	4,026	-	4,026
Deferred revenue-other	-	3,721	3,721
ISCAP warrants payable	261,000	-	261,000
ISCAP accrued interest payable	2,168	-	2,168
Long-term liabilities:			
Portion due within one year:			
Capital lease	72,938	-	72,938
Early retirement	8,987	-	8,987
Portion due after one year:			
Capital lease	75,526	-	75,526
Early retirement	8,986	-	8,986
Total Liabilities	\$ 524,615	\$ 7,110	\$ 531,725
Net Assets			
Invested in capital assets, net of related debt	\$ 1,210,811	\$ 32,772	\$ 1,243,583
Restricted for:		•	•
Management levy	15,143	-	15,143
Physical plant and equipment levy	44,818	-	44,818
Other special revenue purposes	96,075	-	96,075
Unrestricted	460,091	9,902	469,993
Total Net Assets	\$ 1,826,938	\$ 42,674	\$ 1,869,612

Statement of Activities

Year Ended June 30, 2004

						Program Revenu	ies	
						Operating		Capital
						Grants,		Grants,
				CI.		Contributions		Contributions
				Charges		and		and
		Expenses		for Services		Restricted Interest		Restricted Interest
Functions/Programs		Expenses		Services		Interest		Interest
Governmental Activities:								
Instruction:								
Regular instruction	\$	1,940,165	\$	365,068	\$	203,343	\$	_
Special instruction	*	535,621	-	73,229	•	36,243	*	-
Other instruction		444,501		165,871		9,835		-
	\$	2,920,287	\$	604,168	\$	249,421	\$	-
Support Services:								
Student services	\$	100,772	\$	-	\$	-	\$	-
Instructional staff services		144,749		-		-		-
Administration services		485,213		-		-		-
Operation and maintenance of plant services		356,358		30		7,503		-
Transportation services		126,422	Φ.	48,150	Φ.	870	Φ.	
	\$	1,213,514	\$	48,180	\$	8,373	\$	
Non-instructional programs	\$	2,188	\$	-	\$	-	\$	
Other Expenditures:								
Facilities acquisition	\$	-	\$	57,722	\$	-	\$	-
Long-term debt interest		4,029		-		-		-
AEA flow-through		134,563		-		134,563		-
Depreciation (unallocated) *		9,780		-		-		
	\$	148,372	\$	57,722	\$	134,563	\$	
Total Governmental Activities	\$	4,284,361	\$	710,070	\$	392,357	\$	
Business Type Activities:								
Non-Instructional Programs:								
Food service operations	\$	233,986	\$	150,549	\$	65,779	\$	-
Before & After School Program fees		17,163		14,054		-		-
	\$	251,149	\$	164,603	\$	65,779	\$	-
Total	\$	4,535,510	\$	874,673	\$	458,136	\$	<u>-</u>

Net (Expense) Revenue And Changes in Net Assets

	Governmental Activities		Business Type Activities		Total
\$	-1,371,754	\$	-	\$	-1,371,754
	-426,149		-		-426,149
	-268,795		-		-268,795
\$	-2,066,698	\$	-	\$	-2,066,698
¢.	100 773	¢		¢	100 773
\$	-100,772 -144,749	\$	-	\$	-100,772 -144,749
	-144,749 -485,213		-		-144,749 -485,213
	-348,825		-		-348,825
	-77,402		_		-77,402
\$	-1,156,961	\$		\$	-1,156,961
Ψ	1,120,701	Ψ		Ψ	1,120,701
\$	-2,188	\$	-	\$	-2,188
		.			
\$	57,722	\$	-	\$	57,722
	-4,029		-		-4,029
	0.700		-		0.700
\$	-9,780 43,913	\$	-	\$	-9,780 43,913
<u> </u>	43,913	D	<u>-</u>	D	43,913
\$	-3,181,934	\$	-	\$	-3,181,934
\$	_	\$	-17,658	\$	-17,658
~	-	7	-3,109	~	-3,109
\$	-	\$	-20,767	\$	-20,767
\$	-3,181,934	\$	-20,767	\$	-3,202,701

Statement of Activities

Year Ended June 30, 2004

		Program Revenues	3			
	•	Operating Capital				
		Grants,	Grants,			
		Contributions	Contributions			
	Charges	and	and			
	for	Restricted	Restricted			
Expenses	Services	Interest	Interest			

General Revenues:

Property Tax Levied For:
General purposes
Debt service
Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Total General Revenues

Change in net assets Transfers

Change in net assets Net assets beginning of year, as restated

Net Assets End of Year

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,400,393	\$ -	\$ 1,400,393
28,532	-	28,532
1,581,513	-	1,581,513
24,396	60	24,456
\$ 3,034,834	\$ 60	\$ 3,034,894
\$ -147,100	\$ -20,707	\$ -167,807
 -33,873	33,873	
\$ -180,973 2,007,911	\$ 13,166 29,508	\$ -167,807 2,037,419
\$ 1,826,938	\$ 42,674	\$ 1,869,612

Balance Sheet Governmental Funds

June 30, 2004

				Non-major Special		m . 1
Assets		General		Revenue		Total
Cash and Pooled Investments:						
ISCAP	\$	262,777	\$	=	\$	262,777
Other		1,120		14,767		15,887
Investments		508,692		139,690		648,382
Receivables:						
Property Tax:						
Delinquent		19,279		1,321		20,600
Accounts		3,047		-		3,047
Accrued Interest:						
ISCAP		1,430		_		1,430
Inventories		23,194		_		23,194
Due from other governments		16,961		_		16,961
Total Assets	\$	836,500	\$	155,778	\$	992,278
Liabilities and Fund Balances Liabilities:						
Accounts payable	\$	1,258	\$	250	\$	1,508
Salaries and benefits payable		88,789		687		89,476
ISCAP warrants payable		261,000		_		261,000
ISCAP accrued interest payable		2,168		_		2,168
10 C. II. WOOL WOU PRIJUCTO	-	2,100				_,100
Total Liabilities	\$	353,215	\$	937	\$	354,152
Fund Balances:						
Reserved for debt service	\$	_	\$	_	\$	_
Unreserved	•	483,285	•	154,841	•	638,126
	-	.02,202		10 .,0 .1		020,120
Total Fund Balances	\$	483,285	\$	154,841	\$	638,126
Total Liabilities and Fund Balances	\$	836,500	\$	155,778	\$	992,278

Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 16)	\$ 638,126
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,359,275
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-4,026
Long-term liabilities, including early retirement and capital lease, are not due and payable in the current period and, therefore, are not reported in the funds	 -166,437
Net assets of governmental activities (page 13)	\$ 1,826,938

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

Year Ended June 30, 2004

Content			General	Non-Major Special Revenue		Total
Tuition	Revenues:					
Tuition Other	Local Sources:					
Other Intermediate sources 357,247 146,841 504,088 Intermediate sources 1,848,074 166 1,848,240 Federal sources 95,778 23,266 \$ 1,848,240 Total Revenues 3,903,995 \$ 233,266 \$ 4,137,261 Expenditures: Current: Instruction \$ 1,950,861 \$ 5,646 \$ 1,956,325 Special instruction \$ 30,7078 \$ 14,558 48,635 Special instruction \$ 30,7078 \$ 14,558 48,636 Special instruction \$ 30,7078 \$ 14,558 48,636 Other instruction \$ 30,7078 \$ 14,558 48,636 Support Services \$ 100,772	Local tax	\$	1,342,666	\$ 86,259	\$	1,428,925
Red	Tuition		260,230	-		260,230
Sales sources	Other		357,247	146,841		504,088
Part	Intermediate sources		-	-		-
Total Revenues	State sources		1,848,074	166		1,848,240
Expenditures: Current: Curr	Federal sources		95,778	-		95,778
National Instruction	Total Revenues	\$	3,903,995	\$ 233,266	\$	4,137,261
Instruction: Regular instruction \$1,950,861 \$5,464 \$1,950,325 \$5,000 \$1,950,325	Expenditures:					
Regular instruction \$ 1,950,861 \$ 5,464 \$ 1,956,325 Special instruction 532,405 48,636 Other instruction \$ 2,790,344 \$ 141,558 448,636 Support Services \$ 100,772 \$ 147,022 \$ 2,937,366 Support Services \$ 100,772 \$ \$ 100,772 \$ 193,566 \$ 183,600 \$ 193,566 \$ 183,400 \$ 193,600 \$ 193,600 \$ 193,600 \$ 193,600 \$ 193,600 \$ 193,600 \$ 193,600	Current:					
Special instruction 532,405 - 532,405 Other instruction 307,078 141,558 448,636 Support Services 2,790,344 \$ 147,022 \$ 2,937,366 Support Services 8 100,772 \$ \$ 100,772 Instructional staff services 9193,566 \$ 193,566 \$ 193,566 Administration services 481,413 3,271 484,684 484,684 49,247 121,841 49,947 121,841 49,201 484,684 49,947 121,841 49,947 121,841 49,947 121,841 49,947 121,841 49,947 121,841 49,947 121,841 49,947 121,841 49,947 121,841 49,947 121,841 49,947 121,841 40,942 41,942 89,442 121,841 40,942 89,442 121,842 41,942 89,442 121,842 41,942 121,842 41,942 89,442 121,842 41,942 121,842 41,942 121,842 41,942 121,842 41,942						
Other instruction 307,078 141,558 448,636 Support Services: \$2,790,344 \$147,022 \$2,937,366 Student services \$100,772 \$\$\$-\$\$ \$100,772 Instructional staff services \$193,566 \$\$\$-\$\$ \$193,566 Administration services 481,413 3,271 484,684 Operation and maintenance of plant services 410,467 28,734 439,201 Transportation services \$1,298,112 \$41,952 \$1,340,004 Non-instructional programs \$\$\$\$1,298,112 \$41,952 \$1,340,004 Non-instructional programs \$	Regular instruction	\$	1,950,861	\$ 5,464	\$	1,956,325
Support Services: \$ 2,790,344 \$ 147,022 \$ 2,937,366 Student services \$ 100,772 \$ - \$ 100,772 Instructional staff services 193,566 - \$ 193,566 Administration services 481,413 3,271 484,684 Operation and maintenance of plant services 411,894 9,947 121,841 Operation services 111,894 9,947 121,841 Non-instructional programs \$ 1,298,112 \$ 41,952 \$ 1,340,064 Non-instructional programs \$ 2,898,112 \$ 41,952 \$ 1,340,064 Non-instructional programs \$ 2,898,112 \$ 41,952 \$ 1,340,064 Non-instructional programs \$ 2,988,112 \$ 1,952 \$ 1,340,064 Non-instructional programs \$ 2,898,112 \$ 1,340,064 \$ 2,188 \$ 2,188 Other Expenditures \$ 7,0437 70,437 70,437 \$ 2,188 \$ 2,188 Principal \$ 134,563 \$ 7,0437 70,437 \$ 2,218 \$ 2,218 \$ 2,218 \$ 2,218 \$ 2,218 \$ 2,218 \$ 2,218 \$ 2,222 <td< td=""><td>Special instruction</td><td></td><td>532,405</td><td>-</td><td></td><td>532,405</td></td<>	Special instruction		532,405	-		532,405
Support Services: Student services \$ 100,772 \$ 100,772 \$ 100,772 \$ 100,772 \$ 100,772 \$ 100,772 \$ 100,772 \$ 100,772 \$ 100,772 \$ 100,772 \$ 100,772 \$ 193,566 \$ 193,569 \$ 11,841 \$ 19,001 \$ 12,841 \$ 12,981 \$ 12,981 \$ 13,006	Other instruction		307,078	141,558		448,636
Student services \$ 100,772 \$ - \$ 100,772 Instructional staff services 193,566 - \$ 193,566 Administration services 481,413 3,271 484,686 Operation and maintenance of plant services 410,467 28,734 439,201 Transportation services 111,894 9,947 121,841 Non-instructional programs \$ 1,298,112 \$ 41,952 \$ 1,340,064 Non-instructional programs \$ 2 2,188 2,188 Other Expenditures: * 2 2,188 2,188 Cong-Term Debt: * 3 * 70,437 70,437 Interest and fiscal charges * 2 70,437 70,437 AEA flow-through 134,563 * 76,966 \$ 211,529 AEA flow-through \$ 134,563 * 76,966 \$ 211,529 Total Expenditures \$ 34,223,019 \$ 268,128 \$ 4,491,147 Excess (deficiency) of revenues over (under) expenditures \$ -319,024 \$ -34,862 \$ -353,873 Operating transfers in \$ -3,3873 \$ -33,873 \$ -33,873		\$	2,790,344	\$ 147,022	\$	2,937,366
Instructional staff services 193,566 - 193,566 Administration services 481,413 3,271 484,684 Operation and maintenance of plant services 410,467 28,734 439,201 Transportation services 111,894 9,947 121,841 Non-instructional programs \$ 1,298,112 \$ 41,952 \$ 1,340,064 Non-instructional programs \$ 2,878 \$ 2,188 \$ 2,188 Other Expenditures: \$ 2,878 \$ 2,188 \$ 2,188 Principal \$ 2,878 \$ 2,878 \$ 2,188 Principal \$ 2,878 \$ 7,0437 70,437 Interest and fiscal charges \$ 3,34,563 \$ 7,696 \$ 211,529 AEA flow-through \$ 134,563 \$ 76,966 \$ 211,529 Total Expenditures \$ 3134,563 \$ 76,966 \$ 211,529 Excess (deficiency) of revenues over (under) expenditures \$ 319,024 \$ 34,862 \$ 353,886 Oberating transfers in \$ 3,873 \$ 3,873 \$ 3,873 Operating transfers out \$ 33,873 \$ 3,873 <t< td=""><td>Support Services:</td><td></td><td></td><td></td><td></td><td></td></t<>	Support Services:					
Administration services 481,413 3,271 484,684 Operation and maintenance of plant services 410,467 28,734 439,201 Transportation services 111,894 9,947 121,841 Non-instructional programs \$1,298,112 \$41,952 \$1,340,064 Non-instructional programs \$2,188 2,188 2,188 Other Expenditures: *** \$2,188 2,188 Constructional programs *** *** \$1,298,112 *** \$1,340,064 Other Expenditures: *** <td< td=""><td>Student services</td><td>\$</td><td>100,772</td><td>\$ -</td><td>\$</td><td>100,772</td></td<>	Student services	\$	100,772	\$ -	\$	100,772
Operation and maintenance of plant services 410,467 28,734 439,201 Transportation services 111,894 9,947 121,841 Non-instructional programs \$ 1,298,112 \$ 41,952 \$ 1,340,064 Non-instructional programs \$ - \$ 2,188 \$ 2,188 Other Expenditures: \$ - \$ 2,188 \$ 2,188 Facilities acquisition \$ - \$ 2,188 \$ 2,188 Long-Term Debt: \$ - \$ 70,437 70,437 Principal \$ - \$ 70,437 70,437 Interest and fiscal charges \$ - 6,529 6,529 AEA flow-through 134,563 \$ 76,966 \$ 211,529 Total Expenditures \$ 134,563 \$ 76,966 \$ 211,529 Total Expenditures \$ 4,223,019 \$ 268,128 \$ 4,491,147 Excess (deficiency) of revenues over (under) expenditures \$ -319,024 \$ -34,862 \$ -353,886 Other Financing Sources (Uses): \$ - 33,873 \$ - \$ - 33,873 \$ - \$ - 33,873 Operating transfers out \$ - 33,873 \$ - \$ - 33,873 \$ - \$ - 33,873 Total Other Financing Sources (Use	Instructional staff services		193,566	-		193,566
Transportation services 111,894 9,947 121,841 Non-instructional programs \$ 1,298,112 \$ 41,952 \$ 1,340,064 Non-instructional programs \$ - \$ 2,188 \$ 2,188 Other Expenditures: Facilities acquisition \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ \$ - \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ - \$ \$ \$ -	Administration services		481,413	3,271		484,684
S 1,298,112 S 41,952 S 1,340,064 Non-instructional programs	Operation and maintenance of plant services					439,201
Non-instructional programs \$ - \$ 2,188 \$ 2,188 Other Expenditures: Facilities acquisition \$ - \$ - \$ - \$ - \$ - \$ Long-Term Debt: - 70,437 70,437 70,437 Principal - 6,529 6,529 6,529 AEA flow-through 134,563 5 - 134,563 - 134,563 AEA flow-through \$ 134,563 \$ 76,966 \$ 211,529 Total Expenditures \$ 4,223,019 \$ 268,128 \$ 4,491,147 Excess (deficiency) of revenues over (under) expenditures \$ -319,024 \$ -34,862 \$ -353,886 Other Financing Sources (Uses): \$ -33,873 \$ - \$ - \$ - 33,873 Operating transfers out -33,873 \$ - \$ - 33,873 Total Other Financing Sources (Uses) \$ -33,873 \$ - \$ - 33,873 Net change in fund balances \$ -352,897 \$ -34,862 \$ -387,759 Fund balances beginning of year, as restated (Note 12) 836,182 \$ 189,703 \$ 1,025,885	Transportation services		111,894	9,947		121,841
Other Expenditures: S S S S C		\$	1,298,112	\$		
Facilities acquisition \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Non-instructional programs	\$	-	\$ 2,188	\$	2,188
Long-Term Debt: Principal - 70,437 70,437 Interest and fiscal charges - 6,529 6,529 AEA flow-through 134,563 - 134,563 Total Expenditures 134,563 76,966 211,529 Total Expenditures 134,563 76,966 211,529 Excess (deficiency) of revenues over (under) expenditures 4,223,019 268,128 4,491,147 Excess (deficiency) of revenues over (under) expenditures -319,024 -34,862 -353,886 Other Financing Sources (Uses): Operating transfers in	Other Expenditures:	·				
Principal Interest and fiscal charges - 70,437 70,437 AEA flow-through 134,563 - 134,563 Total Expenditures \$ 134,563 \$ 76,966 \$ 211,529 Total Expenditures \$ 4,223,019 \$ 268,128 \$ 4,491,147 Excess (deficiency) of revenues over (under) expenditures \$ -319,024 \$ -34,862 \$ -353,886 Other Financing Sources (Uses): \$ - <td< td=""><td>Facilities acquisition</td><td>\$</td><td>-</td><td>\$ -</td><td>\$</td><td>-</td></td<>	Facilities acquisition	\$	-	\$ -	\$	-
Interest and fiscal charges	Long-Term Debt:					
AEA flow-through Total Expenditures Excess (deficiency) of revenues over (under) expenditures Success (deficiency) of reven	Principal		-	70,437		70,437
Sample S	Interest and fiscal charges		-	6,529		6,529
Total Expenditures \$ 4,223,019 \$ 268,128 \$ 4,491,147 Excess (deficiency) of revenues over (under) expenditures \$ -319,024 \$ -34,862 \$ -353,886 Other Financing Sources (Uses): \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	AEA flow-through		134,563	-		134,563
Excess (deficiency) of revenues over (under) expenditures \$ -319,024 \$ -34,862 \$ -353,886 Other Financing Sources (Uses): Operating transfers in Operating transfers out Total Other Financing Sources (Uses) Net change in fund balances Fund balances beginning of year, as restated (Note 12) \$ -319,024 \$ -34,862 \$ -353,886 \$ -32,873 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$			134,563	\$ 76,966	\$	211,529
Other Financing Sources (Uses): Operating transfers in \$ - \$ - \$ - \$ - \$ Operating transfers out -33,873 33,873 Total Other Financing Sources (Uses) \$ -33,873 - \$ -33,873 Net change in fund balances \$ -352,897 \$ -34,862 \$ -387,759 Fund balances beginning of year, as restated (Note 12) 836,182 189,703 1,025,885	Total Expenditures	\$	4,223,019	\$ 268,128	\$	4,491,147
Operating transfers in Operating transfers out Total Other Financing Sources (Uses) \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Excess (deficiency) of revenues over (under) expenditures	\$	-319,024	\$ -34,862	\$	-353,886
Operating transfers out -33,873 - -33,873 Total Other Financing Sources (Uses) \$ -33,873 - \$ -33,873 Net change in fund balances \$ -352,897 \$ -34,862 \$ -387,759 Fund balances beginning of year, as restated (Note 12) 836,182 189,703 1,025,885	Other Financing Sources (Uses):					
Total Other Financing Sources (Uses) \$ -33,873 \$ - \$ -33,873 Net change in fund balances \$ -352,897 \$ -34,862 \$ -387,759 Fund balances beginning of year, as restated (Note 12) 836,182 189,703 1,025,885	Operating transfers in	\$	-	\$ -	\$	-
Net change in fund balances \$ -352,897 \$ -34,862 \$ -387,759 Fund balances beginning of year, as restated (Note 12) \$ 836,182 \$ 189,703 \$ 1,025,885	Operating transfers out		-33,873	-		-33,873
Fund balances beginning of year, as restated (Note 12) 836,182 189,703 1,025,885	Total Other Financing Sources (Uses)	\$	-33,873	\$ -	\$	-33,873
Fund balances beginning of year, as restated (Note 12) 836,182 189,703 1,025,885	Net change in fund balances	\$	-352,897	\$ -34,862	\$	-387,759
Fund Balances End of Year \$ 483,285 \$ 154,841 \$ 638,126					•	
	Fund Balances End of Year	\$	483,285	\$ 154,841	\$	638,126

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds To the Statement of Activities

Year Ended June 30, 2004

Net change in fund balances – total governmental funds (page 18)		\$ -387,759
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets Depreciation expense \$	258,129 -106,307	151,822
Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:		
Issued \$ Repaid	70,437	70,437
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		2,500
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		2,500
Early retirement	-	-17,973
Change in Net Assets of Governmental Activities (page 15)	=	\$ -180,973

Statement of Net Assets Proprietary Funds

June 30, 2004

Cash and cash equivalents Accounts receivable Inventories Capital assets, net of accumulated depreciation Total Assets	\$ 14,432 74 2,506 32,772 49,784
Liabilities	
Salaries and benefits payable Deferred revenue Total Liabilities	\$ 3,389 3,721 7,110
Net Assets	
Invested in capital assets, net of related debt Unrestricted	\$ 32,772 9,902
Total Net Assets	\$ 42,674

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

June 30, 2004

Operating revenues:	
Local sources:	
Charges for service	\$ 164,603
Operating expenses:	
Non-instructional programs:	
Salaries	\$ 94,674
Benefits	20,031
Purchased services	1,802
Supplies	128,757
Depreciation	 5,885
Total operating expenses	\$ 251,149
Operating loss	\$ -86,546
Non-operating revenues:	
State sources	\$ 2,753
Federal sources	63,026
Interest income	60
Total non-operating revenues	\$ 65,839
Change in net assets	\$ -20,707
Transfers in	 33,873
Change in net assets	\$ 13,166
Net assets beginning of year	 29,508
Net Assets End of Year	\$ 42,674

Statement of Cash Flows Proprietary Funds

Year Ended June 30, 2004

Cash flows from operating activities: Cash received from daycare fees Cash received from sale of lunches and breakfasts Cash paid to employees for services	\$	14,194 148,019 -98,755
Cash paid to suppliers for goods or services Net cash used by operating activities	\$	-155,455 -91,997
Cash flows from non-capital financing activities: State grants received Federal grants received	\$	2,753 49,707
Cash in lieu of commodities		11,165
Net cash provided by non-capital financing activities	\$	63,625
Cash flows from capital and related financing activities: Acquisition of capital assets	\$	-3,980
requisition of cupital assets	Ψ	3,700
Cash flows from investing activities:		
Interest on investments	\$	60
Not decrease in each and each aminutants	¢.	22 202
Net decrease in cash and cash equivalents Transfers in	\$	-32,292 33,873
Cash and cash equivalents beginning of year		12,851
Cush and cush equivalents beginning of your		12,001
Cash and Cash Equivalents End of Year	\$	14,432
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$	-86,546
Adjustments to reconcile operating loss to net cash used by operating activities:	*	22,2
Commodities used		1,904
Depreciation		5,885
(Increase) in inventories		-233
Decrease in accounts receivable		125
(Decrease) in accounts payable		-14
(Decrease) in salaries and benefits payable		-694
(Decrease) in due to other funds		-13,873
Increase in deferred revenue		1,449
Net Cash Used by Operating Activities	\$	-91,997

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$2,154 of federal commodities.

See notes to financial statements.

Statement of Fiduciary Net Assets Fiduciary Fund

Year Ended June 30, 2004

Assets	Private Purpose Trust Scholarship	
	\$	242.060
Cash and pooled investments	<u> </u>	242,060
Total Assets	\$	242,060
Liabilities	\$	
Net assets		
Reserved for scholarships	\$	242,060

Statement of Changes in Fiduciary Net Assets Fiduciary Fund

Year Ended June 30, 2004

		Private Purpose Trust Scholarship
Additions: Local sources: Interest income Total additions	\$	6,131 6,131
Deductions: Support services: Scholarships awarded Total Deductions	\$ \$	<u>-</u>
Change in net assets	\$	6,131
Net assets beginning of year		235,929
Net Assets End of Year	\$	242,060

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Parkersburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Parkersburg, Iowa and portions of the predominately agricultural territories in Butler and Grundy Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Effective July 1, 2004, the Parkersburg Community School District merged with the Aplington Community School District.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Parkersburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Parkersburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

<u>Jointly Governed Organization</u> – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

<u>Government-wide Financial Statements</u> – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

<u>Fund Financial Statements</u> – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Before and After School Program Fund. These funds are used to account for the food service and daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. <u>Measurement Focus and Basis of Accounting</u>

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

<u>Cash</u>, <u>Pooled Investments and Cash Equivalents</u> – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

<u>Property Tax Receivable</u> – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

<u>Due from Other Governments</u> – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

<u>Inventories</u> – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

<u>Capital Assets</u> – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Estimated
	Useful Lives
Asset Class	(In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

<u>Salaries and Benefits Payable</u> –Related payroll benefit expenditures for employees, which are payable in July and August, have been accrued as liabilities.

<u>Deferred Revenue</u> – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

<u>Long-term Liabilities</u> – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

<u>Fund Equity</u> – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

<u>Restricted Net Assets</u> – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Nutrition Fund	General Fund	\$ 31,256
Before & After School	General Fund	 2,617
Total		 33,873

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

		Final		Accrued		Accrued
	Warrant	Warrant		Interest	Warrants	Interest
Series	Date	Maturity	Investments	Receivable	Payable	Payable
2003-2004B	1/30/04	1/28/05	\$ 262,777	\$ 1,430	\$ 261,000	\$ 2,168
Total			\$ 262,777	\$ 1,430	\$ 261,000	\$ 2,168

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

	Interest	Interest
	Rates on	Rates on
Series	Warrants	Investments
2003-04B	2.00%	1.392%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

		Balance						
		Beginning						
		Of Year, as						Balance
		Restated						End
		(Note 12)		Increases		Decreases		Of Year
Governmental Activities:								
Capital assets not being depreciated:								
Land	\$	65,865	\$	19,835	\$	-	\$	85,700
Construction in progress		13,475		-		13,475		-
Total capital assets not being depreciated	\$	79,340	\$	19,835	\$	13,475	\$	85,700
Capital assets being depreciated:								
Buildings	\$	2,181,866	\$	107,179	\$	54,929	\$	2,234,116
Improvements other than buildings		367,010		30,590		-		397,600
Furniture and equipment		2,392,204		114,000		-		2,506,204
Total capital assets being depreciated	\$	4,941,080	\$	251,769	\$	54,929	\$	5,137,920
Less accumulated depreciation for:								
Buildings	\$	1,323,799	\$	44,103	\$	54,929	\$	1,312,973
Improvements other than buildings		266,529		9,950		-		276,479
Furniture and equipment		2,222,639		52,254		-		2,274,893
Total accumulated depreciation	\$	3,812,967	\$	106,307	\$	54,929	\$	3,864,345
	Ф	1 100 110	Ф	1.45.460	Φ.		Ф	1 050 555
Total capital assets being depreciated, net	\$	1,128,113	\$	145,462	\$	-	\$	1,273,575
Governmental Activities Capital Assets, Net	\$	1,207,453	\$	165,297	\$	13,475	\$	1,359,275
Governmentar receivines capitar Assets, 14ct	Ψ	1,207,733	Ψ	103,277	Ψ	13,773	Ψ	1,557,275

		Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:					
Furniture and equipment	\$	64,834	\$ 3,980	\$ 7,198	\$ 61,616
Less accumulated depreciation		30,157	5,885	7,198	28,844
Business Type Activities Capital Assets, Net	\$	34,677	\$ -1,905	\$ - 9	\$ 32,772
Depreciation expense was charged to the following fund Governmental Activities: Instruction:	ction	ıs:			
Regular				\$	65,943
Special Special				φ	11,807
Other					4,182
Support services:					1,102
Instructional staff					_
Administration					2,932
Operation and maintenance of plant					7,082
Transportation					4,581
•				\$	96,527
Unallocated					9,780
Total Depreciation Expense – Governmental Activit	ies				106,307
Business Type Activities:					
Food service operations				\$	5,885
Before & After School					
Total Depreciation Expense – Business Type Activit	ties			\$	5,885

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year		Due Within One Year	
Capital lease Early retirement	\$ 218,901	\$ - 17,973	\$ 70,437	\$ 148,464 17,973	\$	72,938 8,987	
Total	\$ 218,901	\$ 17,973	\$ 70,437	\$ 166,437	\$	81,925	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive for each eligible employee approved by the Board will be based on the employee's salary in effect the last year of the employee's employment with the District. For licensed employees, the amount will be 70% of the difference between the employee's current salary less supplemental pay or extended contract pay and BA Step 0 of the master contract. For other full-time employees, the amount will be 70% of the difference between the employee's current salary and the projected salary of the replacement. This amount shall be the lump sum amount of early retirement incentive the employee will receive upon retirement. All or part of this amount may be applied towards medical insurance premiums or a lump sum will be paid 50% in year one, 50% in year two. There were no early retirement expenditures for the year ended June 30, 2004.

Capital Lease

Details of the District's June 30, 2004 capital lease indebtedness are as follows:

Year Ending	Interest			
June 30,	Rate	Principal	Interest	Total
2005	3.50%	\$ 72,938	\$ 4,029	\$ 76,967
2006	3.50%	75,526	1,431	76,957
Total		\$ 148,464	\$ 5,460	\$ 153,924

During the year ended June 30, 2004, the District made principal and interest payments totaling \$76,966 under the agreement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$150,531, \$130,310 and \$121,434, respectively, equal to the required contributions for each year.

(8) Risk Management

Parkersburg Community School was a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization, until May 2004. The Iowa School Employees Benefits Association (the Association) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$342,728.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. The Association will pay claims incurred before the termination date.

Parkersburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$134,563 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Subsequent Events

At the request of voters at an election held in August 2003, effective July 1, 2004, the Parkersburg Community School District merged with the Aplington Community School District.

(11) Construction Commitment

The District has entered into a contract totaling \$11,565 for the Elementary School window replacement project. As of June 30, 2004, no costs had been incurred against the contract.

(12) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, <u>Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements</u>, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, <u>Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments;</u> Statement No. 37, <u>Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus;</u> Statement No. 38, <u>Certain Financial Statement Note Disclosures;</u> and Statement No. 41, <u>Budgetary Comparison Schedule – Perspective Differences</u>, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund	i		
	General	Non-major Special Revenue	_	Total
Net assets June 30, 2003, as previously reported GASB Interpretation 6 adjustments	\$ 836,182 \$	189,703	\$	1,025,885
Net Assets July 1, 2003, as Restated for Governmental Funds	\$ 836,182 \$	189,703	\$	1,025,885
GASB 34 Adjustments: Capital assets, net of accumulated depreciation of \$3,812,967 Long-Term Liabilities:				1,207,453
Capital lease Accrued interest payable				-218,901 -6,526
Net Assets July 1, 2003, as Restated			\$	2,007,911



Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,193,243	\$ 164,663
Intermediate sources	-	-
State sources	1,848,240	2,753
Federal sources	 95,778	63,026
Total Receipts	\$ 4,137,261	\$ 230,442
Disbursements:		
Instruction	\$ 2,937,366	\$ -
Support services	1,340,064	-
Non-instructional programs	2,188	251,149
Other expenditures	 211,529	-
Total Disbursements	\$ 4,491,147	\$ 251,449
Excess (deficiency) of receipts over (under) disbursements	\$ -353,886	\$ -20,707
Other financing sources, net	 -33,873	33,873
Excess (deficiency) of receipts and other financing sources over (under) disbursements and		
other financing uses	\$ -387,759	\$ 13,166
Balances beginning of year	 1,025,885	29,508
Balances End of Year	\$ 638,126	\$ 42,674

 Total Actual	Budgeted Original		Amounts Final		Final To Actual Variance
\$ 2,357,906	\$ 2,316,903 6,000	\$	2,316,903 6,000	\$	41,003 -6,000
1,850,993 158,804	1,955,798 143,000		1,955,798 143,000		-104,805 15,804
\$ 4,367,703	\$ 4,421,701	\$	4,421,701	\$	-53,998
\$ 2,937,366	\$ 3,880,307	\$	3,880,307	\$	942,941
1,340,064	1,190,000		1,190,000		-150,064
253,337	273,999		273,999		20,662
211,529	454,262		454,262		242,733
\$ 4,742,296	\$ 5,798,568	\$	5,798,568	\$	1,056,272
\$ -374,593	\$ -1,376,867	\$	-1,376,867	\$	1,002,274
-	-		-		-
\$ -374,593	\$ -1,376,867	\$	-1,376,867	\$	1,002,274
1,055,393	1,376,867		1,376,867		-321,474
\$ 680,800	\$ _	\$	_	\$	680,800

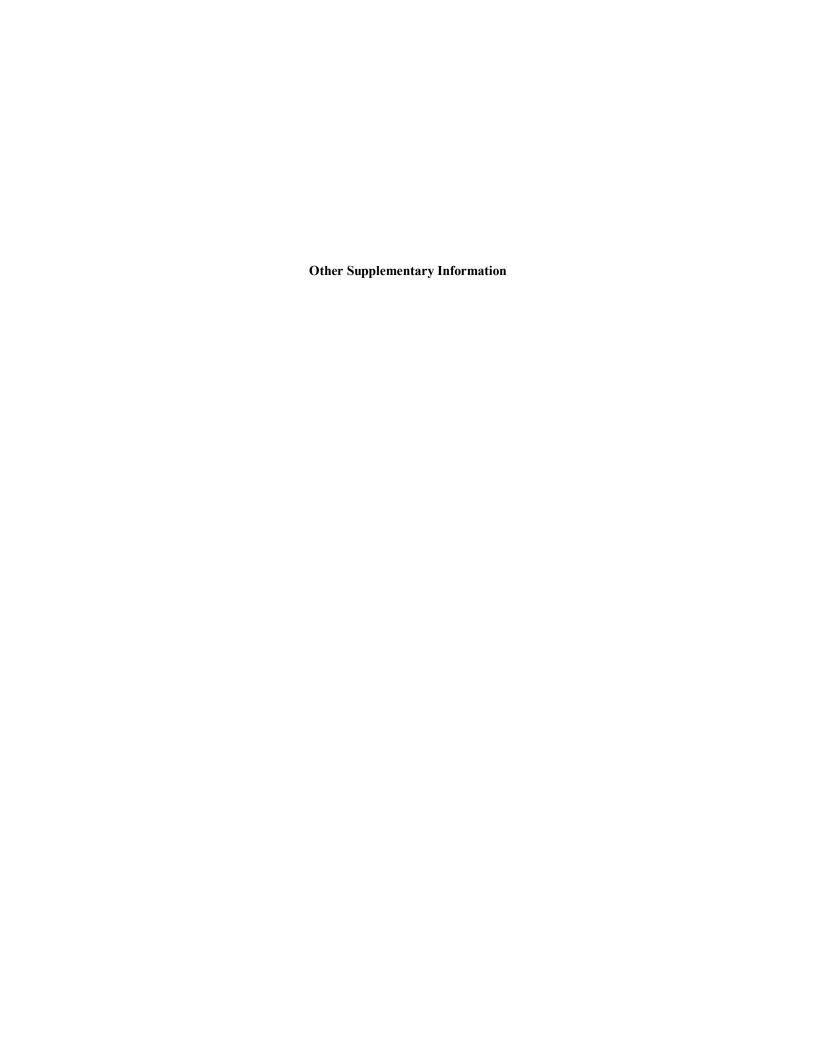
Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the support services function exceeded the amount budgeted.



Combining Balance Sheet Non-Major Special Revenue Funds

June 30, 2004

		Management Levy		Student Activity		Physical Plant and Equipment Levy		Total
Assets Cash	\$		\$	14,766	¢	1	\$	14,767
Investments	Ф	32,919	Ф	62,391	Ф	44,380	Ф	139,690
Receivables:								
Property Tax: Delinquent		884		-		437		1,321
•	Φ.	22.002	Φ.	gg 15g	Ф	44.010	Ф	
Total Assets	\$	33,803	\$	77,157	\$	44,818	\$	155,778
Liabilities & Fund Equity Liabilities:								
Accounts payable	\$	-	\$	250	\$	_	\$	250
Salaries and benefits payable		687		-		-		687
Total liabilities	\$	687	\$	250	\$	-	\$	937
Fund Equity:								
Unreserved fund balances	\$	33,116	\$	76,907	\$	44,818	\$	154,841
Total Liabilities and Fund Equity	\$	33,803	\$	77,157	\$	44,818	\$	155,778

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Non-Major Special Revenue Funds

Year Ended June 30, 2004

	M	anagement Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:					
Local Sources:					
Local tax	\$	57,727	\$ -	\$ 28,532	\$ 86,259
Other		291	144,822	1,728	146,841
State sources		111	-	55	166
Total Revenues	\$	58,129	\$ 144,822	\$ 30,315	\$ 233,266
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	5,464	\$ _	\$ -	\$ 5,464
Other instruction		-	141,558	-	141,558
Support Services:					
Administration services		3,271	-	_	3,271
Operation and maintenance of plant services		28,734	_	-	28,734
Transportation services		9,947	_	-	9,947
Non-instructional programs		2,188	-	-	2,188
Other Expenditures:					
Long-term debt:					
Principal		-	-	70,437	70,437
Interest		-	-	6,529	6,529
Total Expenditures	\$	49,604	\$ 141,558	\$ 76,966	\$ 268,128
Excess (deficiency) of revenues over (under)					
expenditures	\$	8,525	\$ 3,264	\$ -46,651	\$ -34,862
Fund balances beginning of year as restated		24,591	 73,643	 91,469	 189,703
Fund Balances End of Year	\$	33,116	\$ 76,907	\$ 44,818	\$ 154,841

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account		Balance Beginning Of Year		Revenues and Inter-fund Transfers		Expenditures		Intra- Fund Transfers	Balance End of Year
Athletics	\$	6,532	\$	55,717	\$	53,383	\$	- \$	8,866
Music	Ψ	4,777	Ψ	657	Ψ	52	Φ	- 4	5,382
Wellness		680		-		60		_	620
All weather track		1,961		1,234		61		_	3,134
Class of 2004		8,079		1,234		-		-8,079	3,134
Class of 2005		6,758		3,388		4,919		-0,077	5,227
Class of 2006		5,124		1,107		12		_	6,219
Class of 2007		2,980		1,260		12		_	4,240
Class of 2008		2,700		6,100		13,029		8,079	1,150
National Honor Society		844		1,261		1,242		-	863
Student Senate		119		6,819		5,671		_	1,267
Future Farmers of America		1,348		7,460		8,145		_	663
Cheerleaders		2,751		1,124		783		_	3,092
Musical		1,000		1,154		1,130		_	1,024
Drill Team		1,415		555		1,113		_	857
Spanish Club		6,553		7,909		3,498		_	10,964
Speech & Drama		3,431		1,129		1,174		_	3,386
Concessions		660		12,518		11,824		_	1,354
Popper		989		-		-		_	989
Towel		4,915		972		122		_	5,765
Elementary		3,201		5,750		7,526		_	1,425
Band trip		7,490		-		-		_	7,490
Athletic resale		1,257		14,604		15,487		_	374
Lift-A-Thon		201		4,842		4,455		_	588
S.A.D.D.		151		-		-		_	151
Awards		12		1,369		1,299		_	82
First Aid		348		2,058		2,224		_	182
Auditorium		67						_	67
N.F.L.		-		5,000		4,257		-	743
Greenhouse		-		657		23		-	634
High School Activity		-		178		69		-	109
Total	\$	73,643	\$	144,822	\$	141,558	\$	- \$	76,907

Schedule of Revenues by Source and Expenditures by Function All Governmental Funds

For the Last Three Years

	Modified Accrual Basis							
		<u>2004</u>		2003		2002		
Revenues:								
Local Sources:								
Local tax	\$	1,428,925	\$	1,403,154	\$	1,289,569		
Tuition		260,230		248,803		206,804		
Other		504,088		505,299		416,684		
Intermediate sources		-		-		-		
State sources		1,848,240		1,964,871		1,910,930		
Federal sources		95,778		96,112		64,650		
Total	\$	4,137,261	\$	4,218,239	\$	3,888,637		
Expenditures:								
Instruction:								
Regular instruction	\$	1,956,325	\$	1,809,029	\$	1,772,924		
Special instruction		532,405		407,686		416,639		
Other instruction		448,636		484,772		455,948		
Support services:								
Student services		100,772		123,527		115,702		
Instructional staff services		193,566		164,052		143,446		
Administrative services		484,684		460,242		428,668		
Operation and maintenance of plant services		439,201		365,626		302,498		
Transportation services		121,841		145,100		110,911		
Non-instructional programs		2,188		1,800		208		
Other expenditures:								
Facilities acquisition		-		28,532		72,916		
Long-term debt:								
Principal		70,437		-		-		
Interest and other charges		6,529		-		_		
AEA flow-through		134,563		144,895		144,975		
Total	\$	4,491,147	\$	4,135,261	\$	3,964,835		

Independent Auditor's Report on Compliance And on Internal Control over Financial Reporting Keith Oltrogge CPA 201 East Main Street Denver IA 50622

<u>Independent Auditor's Report on Compliance</u> and on Internal Control over Financial Reporting

To the Board of Education of Parkersburg Community School District:

I have audited the financial statements of Parkersburg Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated July 30, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Parkersburg Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under <u>Government Auditing Standards</u>. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Parkersburg Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Parkersburg Community School District and other parties to whom Parkersburg Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Parkersburg Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Keith Oltrogge Certified Public Accountant

July 30, 2004

Schedule of Findings

Year Ended June 30, 2004

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

<u>Recommendation</u> – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

<u>Conclusion</u> – Response accepted.

Schedule of Findings

Year Ended June 30, 2004

Part II - Other Findings Related to Statutory Reporting:

- II-A-04 <u>Official Depositories</u> Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 <u>Certified Budget</u> Disbursements for the year ended June 30, 2004 exceeded the certified budget amounts in the support services function.

<u>Recommendation</u> – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

- <u>Response</u> Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- <u>Conclusion</u> Response accepted.
- II-C-04 <u>Questionable Expenditures</u> No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-D-04 <u>Travel Expense</u> No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 <u>Business Transactions</u> No business transactions between the District and District officials or employees are detailed were noted.
- II-F-04 <u>Bond Coverage</u> Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-G-04 Board Minutes No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 <u>Certified Enrollment</u> No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 <u>Deposits and Investments</u> No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-04 <u>Certified Annual Report</u> The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.